I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry

January 1989

Seeding Practices Keep Changing

page 14

Tillage Equipment Market

LOOKING VERY GOOD

page 10

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NEW PRODUCTS FEATURED THROUGHOUT THIS ISSUE

I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

The business magazine of the farm and industrial equipment industry.

January 1989 • Vol. 104 • No. 1

On Our Cover

The 1989 sales season looks very, very good. Economics are right, and farmers are thinking moisture conservation. Only clouds: Materials shortages, drought possibilities.

(Cover photo from Case IH)

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11: **Here's a** "new" tillage firm with a history that goes back to 1921. After a brief move to Texas, Athens Plow Co. is back in Athens, Tenn., under the direction of Willia Willson, the company's founder.

14: **You may** know how farmers have been seeding crops in your area for generations, but that might not be enough when it comes to helping them pick the right setup for today's needs.

18: **At the** 1988 FEWA-FEMA-AIMRA convention, there was a lot of exciting talk about the "best year we ever had," large sales increase and better receivables positions. At the time, many of the same manufacturers expressed concern the tightening supplies. Extended lead times were a worry, along with price increases.

21: **A summary** of the newly elected officers and directors of the Farm Equipment Wholesalers Assn., the Farm Equipment Manufacturers Assn., and the Agricultural & Industrial Manufacturers Representatives Assn.

23: **A special** seven-page section on new products begins here. Also, new tillage and new seeding products are shown on pages 12 and 16.

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BILL FOGARTY

What's Your Guess on Market Share?

What we're going to do today, dear readers, is play one of the industry's more popular parlor games. It's called *Who's Got the Market Share?*

Actually, this was once the only game in town. We all played it to the exclusion of anything else. That was before the big rage in speculative play became *Who'll Acquire Whom?* I like that game, too, but I must confess that I've never been very good at it. One of the things you need to play it is a straight face when some of the possibilities are tossed around. The time a guy sidled up to me and said, "I hear that New Holland is going to merge with Minneapolis-Moline," I laughed outright, and he wouldn't play with me anymore.

But *Who's-Got-the-Market-Share?* is good, clean sport. It's about something that's going on right now, not something that might happen next week or next year. And so I recently invited a number of industry watchers to join me for a few rounds, with the focus on the North American farm tractor market. A few responded. The others may have been out lubricating the track of another merger, for all I know.

One of my participants is Mitchell Quain, the watcher of capital goods industries for Wertheim Schroder, the New York financial house. Another player joins the game but declines to be identified. Mr. X. And the third is a newcomer, Tobias Levkovich of Smith Barney, another investment company. I bat fourth.

Let's open with the market for under-40-hp tractors. If the industry's product planners and researchers of the 1960s had been right, it wouldn't exist today, because everything in what we called the tractor market was destined to get *big*. It turned out that Japanese observers an ocean away had a less straight-jacketed vision of the potential for such products, and today they own just about every bit of it. (Levkovich sits this round out.)

Tractors under 40 hp	Mitch Quain	Mr. X.	Bill Fogarty
Case IH	10%	5%	8%
Deere	10	22	19
Deutz-Allis	5	2	5
Ford NH	15	20	19
Kubota	25	37	35
Massey	15	10	12
White	5	2	1
Others	5	2	1

It appears that Mitch miscalculated and lost 10 percent of market. It's deadline day, or I'd get back to him and ask him to allocate his missing slice.

Some of my reasoning: Kubota gets the biggest piece mostly because they got there first by a mile and they have never let up. Deere has the general marketing and dealer strength. Ford and Massey tractor dealer muscle is often found near populated areas where small tractors sell in quantity. I gave D-A 5 percent because Bill Templeton, its senior sales VP, came over from a successful seven-year stay with Kubota in 1986. It could increase.

Watch for some aggressive struggling in this corner of the business. The industry inventory levels have been exceeding a year's supply for quite a while. That costs money. The yen is strong in relation to the

dollar, and there's price resistance out there. On to the next horsepower group.

It doesn't seem so long ago to some of us that the 40-99 horsepower bracket was as big as row crop tractors got. And a few years ago, the last production of tractors this size left North America, replaced by units made in Europe, Japan and South America.

But hold everything! Word is out that White-New Idea will be introducing tractors in this horsepower range next month, tractors actually built here in the USA. Well, let's look at how the players are currently slicing up the market.

Tractors 40-99 hp	Mitch Quain	Mr. X	Tobias Levkovich	Bill Fogarty
Case IH	10%	20%	25%	18%
Deere	20	33	30	25
Deutz-Allis	5	4		6
Ford NH	15	25	25	25
Kubota	20	5		5
Massey	15	8	11	10
White	5	3		2
Others	10	2	9	9

It should be noted that Levkovich's share estimates come from a published market study he did recently for Smith Barney. Thus, D-A, Kubota and White are included with the others.

Why did I give such a strong slice to "others"? Well, we look at the retail sales reports issued by FIEI and its list of participants. But there are some imports in this horsepower grouping that are not included. "Others" also includes Long, Fiatagri, SAME, Belarus, Zetor and now Valmet.

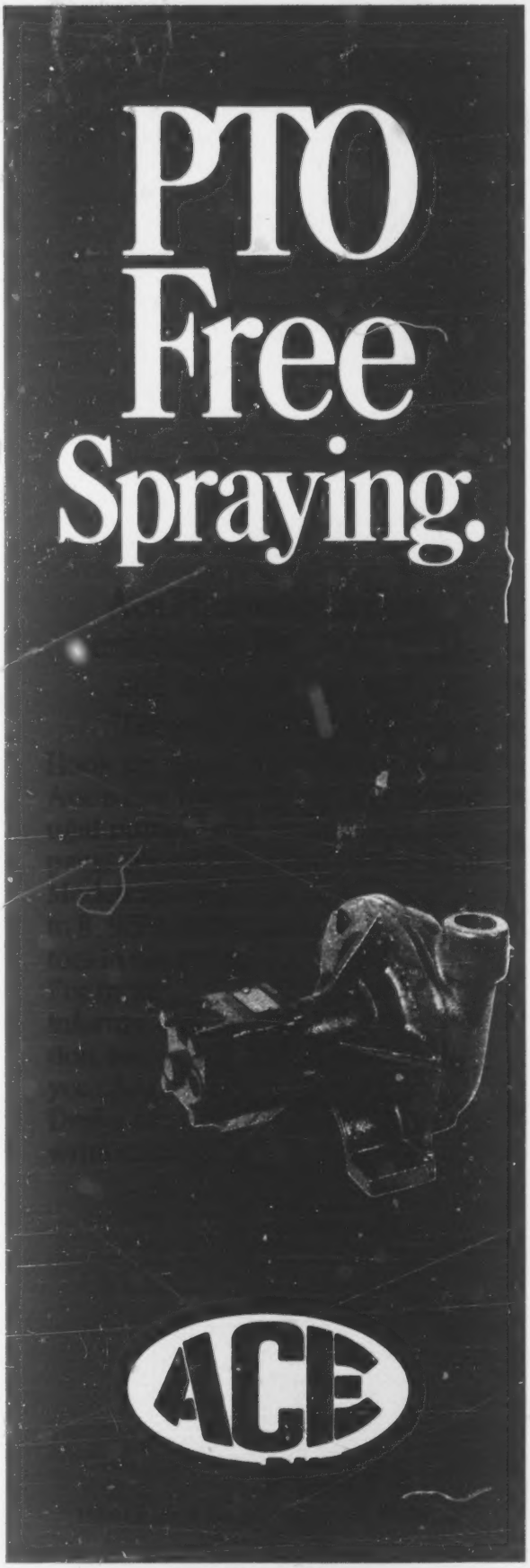
And now let us consider the great American specialty—two-wheelers of 100 horsepower and over. It doesn't take nearly as many sales of these units to roll up impressive dollar tallies. How does our panel carve up this grouping?

Tractors 100 hp/over	Mitch Quain	Mr. X	Tobias Levkovich	Bill Fogarty
Case IH	25%	33%	35%	33%
Deere	40	48	45	45
Deutz-Allis	5	5		6
Ford NH	15	5	5	4
Massey	5	2	3	4
White	5	5		6
Others	5	2	12	2

Again, Levkovich is including D-A and White in "others." Quain sees Ford as doing more big-tractor business and Deere and Case doing less than the rest of us.

Back in 1986 and 1987, I would have hesitated to play the market share game. At that time, discounting was so fast and furious, particularly in this horsepower

(See NOTEBOOK, pg. 30)



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INDUSTRY UPDATE

November Retail Sales Show Mixed Picture

RETAIL SALES OF U.S. farm equipment showed some pluses and some minuses in the November flash report of the Farm & Industrial Equipment Institute. Four-wheel-drive tractors, medium two-wheelers and hay tools had a good month and will post respectable year-end improvements. Drought is blamed for the decline in combine sales. Big two-wheeler sales are off largely because inventory is not as abundant. Small tractors, mostly from Japan, are down partly because of resistance to price hikes based on currency differences.

UNIT RETAIL SALES

	November			January-November		
Equipment	1988	1987	% Change	1988	1987	% Change
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	2,780	3,106	(10.5)	51,486	56,570	(9.0)
40 & Under 100 HP	2,335	2,038	14.6	30,701	27,640	11.1
100 & Under 140 HP	250	376	(33.5)	3,857	4,574	(15.7)
140 HP & Over	856	909	(5.8)	10,474	9,863	6.2
Total 2-Wheel Drive	6,221	6,429	(3.2)	96,518	98,647	(2.2)
4-Wheel Drive						
Under 200 HP	95	35	171.4	876	490	78.8
200 HP & Over	141	91	54.9	1,560	906	72.2
Total 4-Wheel Drive	236	126	87.3	2,436	1,396	74.5
Total Farm Wheel Tractors	6,457	6,555	(1.5)	98,954	100,043	(1.1)
Combines (Self-Propelled)	609	967	(37.0)	5,490	6,365	(13.7)
Balers (Bales under 200 lbs.)	223	178	25.3	5,579	5,180	7.7
Forage Harvesters (Shear Bar Type)	158	152	3.9	2,335	2,180	7.1
Mower Conditioners	467	393	18.8	10,665	10,810	(1.3)

Michael Wolf to Head Case IH Ag Business

Michael A. Wolf has joined Case IH as executive vice-president and general manager of its worldwide agricultural business, according to James K. Ashford, president and chief executive officer. His responsibilities will include manufacturing, engineering, marketing and sales worldwide.

Wolf, 45, comes from a 17-year career with Firestone Tire & Rubber Co. Most recently, he was executive vice president.

Ketelsen: Case IH 'Could Be Sold'

An interview in the Dec. 12 *Wall Street Journal* quotes James L. Ketelsen, Tenneco Inc. chairman, as saying that it would consider selling off its J I Case subsidiary. "If I am convinced that we aren't going to make it and make it soon, I will do something about it," he reportedly said.

The article noted that for several years, the financial community has called for the sale of Case, which was described as "loss-ridden."

Despite the failure of the Case IH operation, formed four years ago with the acquisition of International Harvester's ag equipment division by Tenneco, to make profit forecasts, Ketelsen has said it would take five years to "reap the full benefits of the merger."

Ketelsen was quoted as saying that "Case IH can bring in operating profit of $300 million-$500 million." Its 1987 sales were $3.7 billion.

A Wall Street analyst told *I&T* that Tenneco's asking price for the Case operation would be $2.5 billion. "That would be a premium price. It is felt that some Japanese companies might be willing to pay something close to that. Tenneco and Fiat of Italy have had talks about the sale of Case for a long time."

INVENTORY WATCH

What's Happening To Stockpiles In Relation To Sales.

	U.S. Inventory Levels							12-Month Sales,
Equipment	Oct. 31, 1977	May 31, 1988	June 30, 1988	July 31, 1988	Aug. 31, 1988	Sept. 30, 1988	Oct. 31, 1988	Nov. 1, 1987-Oct. 31, 1988
Tractors								
Under 40 hp	59,399	59,761	57,223	58,976	61,345	61,282	60,565	55,099
40-99hp	18,996	19,954	19,490	19,861	20,635	20,805	19,966	33,459
100 hp and over	6,306	5,963	6,472	7,212	8,067	8,778	8,737	15,975
Four-wheel drive	1,474	1,714	1,659	1,727	1,704	1,749	1,567	2,583
Total Tractors	86,175	87,392	84,844	87,776	91,751	92,614	90,835	107,116
S-P Combines	4,496	4,185	4,143	4,082	4,138	3,844	3,585	6,642

Source: Farm & Industrial Equipment Institute

Canadians See Sales Improvement in 1989

The 1989 farm equipment market in Canada is expected to show an upswing in most product categories this year, according to a member survey of the Canadian Farm & Industrial Equipment Institute. In 1988, unit volume was off in most major product area.

Canadian reports include unit retail sales of front-wheel assist on two-wheel-drive tractors. The following table shows the percentage of FWA-equipped tractors sold in each horsepower category.

Product	1987	1988*	1989
Tractors, 2-WD			
Under 40 hp	4,630	4,141	4,235
(FWA, pct.)	(80%)	(78%)	(80%)
40-99 hp	9,021	8,906	8,931
(FWA, pct.)	(51%)	(52%)	(53%)
100 hp & over	3,065	2,572	2,829
(FWA, pct.)	(49%)	(53%)	(53%)
All 2-WD	17,700	16,712	17,145
(FWA, pct.)	(59%)	(59%)	(60%)
Tractors, 4WD			
Under 200 hp	508	544	575
Over 200	476	549	575
Total	984	1,093	1,150
Total Tractors	17,700	16,712	17,145
Combines, s-p	1,522	1,304	1,508
Combines, pull	350	300	375
Swathers, s-p	778	957	983
Swathers, pull	1,375	1,200	1,275
Balers (-200 lbs.)	1,594	1,491	1,540
Balers (+200 lbs.)	3,299	3,488	3,543
Forage Harvesters	458	588	570
Mower-Conditioners	2,481	2,809	2,785
Grinder-Mixers	208	275	283
Manure Spreaders	1,846	1,803	1,825
Moldboard Plows	340	580	580
Chisel Plows	1,014	1,080	1,073
Disk Harrows	468	502	544
Grain Drills	2,248	2,073	2,315
Corn Planters	308	349	385

*Estimated.
Source: Canadian Farm & Industrial Equipment Institute.

Harold Halter Dies; Managed FEMA 27 Years

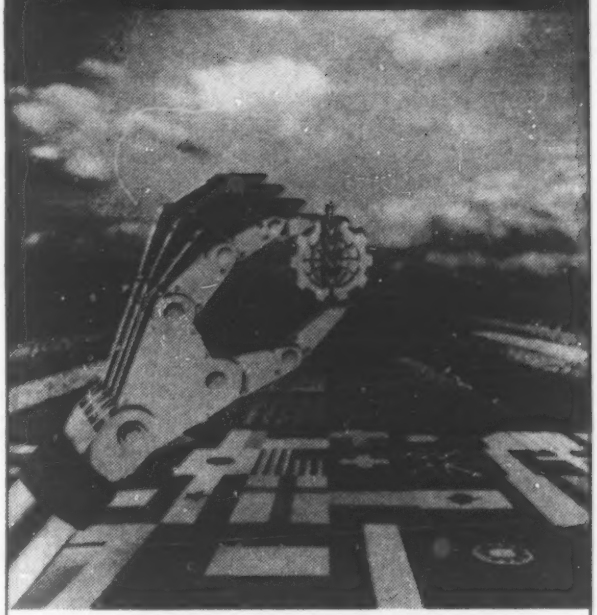
Harold B. Halter, who was executive vice-president of the Farm Equipment Manufacturers Assn. from 1956 to 1983, died Dec. 2 in St. Louis, Mo. He was 71. Under his management, FEMA grew from a few score member companies to 433 regular and 270 supplier member firms. Before joining FEMA as its first full-time manager, Halter had earlier been an executive with the North American Equipment Dealers Assn.

Halter was widely respected as an industry leader and commentator after his retirement. As an officer on the staff of Gen. Douglas MacArthur in World War II, he was awarded the Bronze Star and the Purple Heart.

Harold B. Halter

Halter is survived by his wife, Pauline, and one son, Steve.

EUROPEAN FARMERS AT THE CROSSROADS



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NOTEBOOK *(from page 7)*

category, that market shares went through temporary distortions. From here on out, it appears that changes in big tractor market shares will take place only on a gradual basis.

And finally, there are four-wheel-drive tractors. There was a time when North American farmers were buying them at a rate of over 11,000 units a year. Now we hear talk of a resurging market that may get up to 5,000 units in the near future. But remember that the bidirectional tractors, which are growing in popularity, are now included in FIEI reports of this category.

4WD Tractors	Mitch Quain	Mr. X	Tobias Levkovich	Bill Fogarty
Case IH	35%	33%	40%	35%
Deere	35	30	30	27
Deutz-Allis	5	3		0
Ford NH	25	27	25	30
Massey		1		1
White		2		2
Others		5	5	5

All but Quain give an edge to Case IH on four-wheelers. My thinking is that the Case and IH market shares before the acquisition of Steiger are enough to make Case IH dominant here. Ford NH's Versatile business includes bidirectionals. If we're talking about present markets, I understand that both D-A and MF are out of four-wheelers, but that MF will be back in sometime this year. As for the "others" slice, there are a few custom-built units always being turned out. And Mr. X wrote "mostly Cat" beside his entry, which was a point I decided to follow. That Cat Challenger isn't really a wheel tractor, but it's not a conventional crawler, either, and it is said to be taking a few deals away from the four-wheeler makers.

So there you have it. What do you think of it? I want to thank my colleagues in this foursome, and I hope I can get them and others to play it with me again sometime. And now let me confess something:

I'm writing this column late. It should have been in my publisher's hands days ago. But I have been constantly fiddling with my percentages. If I only had another week to ponder it all, make a few phone calls, etc., you'd see some differences.

Sales managers and dealers, I'm sorry if I've insulted you by underestimating your achievements. If I've overestimated and it either embarrasses you or makes you feel guilty, again I'm sorry. Would you care to give me the true facts?

Remembering Halter

One of the good things about this job is the chance it has given me to get to know a lot of people in this business. Some of them have been giants and inspired leaders. Some have been egomaniacs who contributed to the ruin of their companies or organizations, but not many. Most have been average guys like you and me, trying to understand or trying to get others to understand what they see.

When one of the good guys dies, you begin to think about his contributions and his personal qualities that attracted you and made you respect him. I've been doing that a lot since Harold Halter died in early December.

Halter managed the Farm Equipment Manufacturers Assn. for 27 years and in the process helped hundreds of small, new companies find their way into the industry. What I remember most about him is his marvelous sense of balance.

What do I mean by *balance*? I don't know what else to call it. Harold knew when it was time to take care of business and when it was time to enjoy the people he came in contact with. He knew what a host of workaholic big-shots with enormous salaries never stumbled on to: You can get your job done and help others with theirs by bringing a sense of humor to the whole business.

A prime example of this was FEMA's semi-monthly newsletter, the *Shortliner*. He knew how to provide the information his member executives needed from the FEMA office, and he knew how to sprinkle a few laughs throughout the pages, too. And guess what happened: When that distinctive green envelope was part of your morning mail, that was the first thing you opened and read, and you read all of it. As a result, that newsletter gave FEMA a very special sense of community. Harold probably knew all that perfectly well, but I think he made the *Shortliner* as good as it was (and remains today) just because he liked to share his fine sense of humor with others.

A lot of people in the industry will miss him, but we can consider ourselves blessed to have known him. □

LETTERS *(from page 5)*

management principles in the shop. Suppliers set the criteria for giving out the contract. And when dealer enterprises fail because they didn't manage the shop right, as often happens, suppliers pay a heavy price in terms of lost representation, in terms of the cost of finding a replacement dealer, and maybe most of all, in terms of what the whole process does to the supplier's reputation and product image.

And meanwhile, guys like you have had to slug it out in the trenches. But I have hopes that eventually managements at the very top will begin to understand that it is the service that makes one product superior to another, and that service has to be profitable.

Bill Fogarty

TILLAGE *(from page 12)*

that he'd better do some moisture conservation work."

Cohn: Another Increase in 1989

Marlon Cohn, manufacturer's representative for Haven Steel Co., Haven, Kan., and Case IH agricultural disks:

"In the fall of 1987, we were looking for a 10 percent increase in 1988. We got it and a little more. It was up about 12 percent. The drought had an effect. A lot of farmers went back to basic tillage, so the activity was greater. We're now expecting sales to be up in 1989 another 10 to 12 percent from 1988." □